

## Message Text

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67

ACTION ARA-10

INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 USIE-00 CIAE-00

DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01

PRS-01 SP-02 SS-15 AID-05 COME-00 EB-07 FRB-03

TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 904

C O N F I D E N T I A L LIMA 6295

FOR UNDER SECRETARY MAW; ARA - ASST. SECY SCHLAUDEMANN;  
L/ARA - MR. GANTZ; S/P - DR. EINAUDI; TREASURY - MR. MARESCA

EO 11652: GDS

TAGS: BDIS, EINV, EIND, EMIN, PFOR, PE

SUBJECT: CONVERSATION WITH MINISTER OF ECONOMY AND FINANCE

REF: LIMA 6216, LIMA 6254

1. SUMMARY: AMBASSADOR HELD WIDE-RANGING CONVERSATION WITH  
MINISTER OF ECONOMY BARUA EVENING JULY 8 WHICH COVERED RE-  
CENTLY-ANNOUNCED AECONOMIC MEASURES, FORTHCOMING FINANCIAL  
MISSION TO U.S., MARCONA, GULF, SOUTHERN PERU COPPER CORPORA-  
TION, AMONG OTHER ITEMS. MINISTER BARUA  
SEEMED MOST DETERMINED TO SOLVE MARCONA AND GULF ISSUES WITHIN  
NEXT TWO WEEKS. HE DEFENDED ECONOMIC PACKAGE, AND ATTEMPTED  
EXPLAIN AWAY SPCC CONCERN ON 15 PERCENT EXPORT TAX. HE RELED  
OUT IMF STANDBY AS POLITICALLY IMPOSSIBLE, AND EXPRESSED  
OPTIMISM THAT FOUR MAJOR BANKS WOULD PUT BALANCE OF APYMENTS  
LOAN TOGETHER. HE PALINLY STATED THAT IF ECONOMIC  
MEASURES UNSUCCESSFUL IN OBTAINING U.S. BANK LOAN, HE  
WILL

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FIND IT NECESSARY TO RESIGN. END SUMMARY

2. AMBASSADOR, ACCOMPANIED BY ECON COUNSELOR, MET EVENING JULY 8 WITH MINISTER OF ECONOMY AND FINANCE LUIS BARUA AT THE HOME OF BARUA'S CLOSE FRIEND (AND BANCO DE LA NACION ADVISOR) ING. HERNAN BARRETO. MINISTER EXPLAINED THAT HE HAD ASKED FOR SMALL, PRIVATE MEETING TO RESUME VERY USEFUL, INFORMAL DISCUSSIONS OF JULY 4-5 (LIMA 6124), BUT WITHOUT GIVING THE APPEARANCE OF INTERVENING IN THE AREA OF ACTIVITIES ASSIGNED TO THE FOREIGN MINISTER.

3. MINISTER BARUA BROUGHT UP THE QUESTION OF SPCC, SAYING THAT THE JULY 7 MEETING WITH BRYAN WHITE (LIMA 6254) HAD BEEN MOST PRODUCTIVE. HE EXPRESSED THE HOPE THAT THE TAX PAYMENTS SCHEDULE AND OTHER TAX MATTERS, INCLUDING THE 1974 TAX CLAIMS, WOULD BE SETTLED. ON 15 PERCENT EXPORT TAX ISSUE, BARUA STATED THAT HIS CAREFUL CALCULATIONS SHOW THAT SPCC WILL CONTINUE TO SHOW ABOUT SAME LEVEL OF PROFIT ON TOQUEPALA OPERATION, AND INSISTED THAT CUAJONE PRODUCTION WOULD NOT REPEAT NOT BE AFFECTED BY 15 PERCENT TAX AT ALL. THUS SPCC FEARS THAT 15 PERCENT EXPORT TAX WOULD NEGATE EFFECTS OF DEVALUATION WERE UNFOUNDED.

4. ON MARCONA, HE NOTED THAT HE HAD SPOKEN LATE AFTERNOON JULY 8 WITH JOSE LUIS BROUSSET, PRESIDENT OF THE BANCO POPULAR AND A MEMBER OF THE MARCONA COMMISSION, WHICH HAD BEEN MEETING THROUGHOUT THE DAY UNDER THE CHAIRMANSHIP OF AMBASSADOR JOSE DE LA PUENTE. BARUA EXPLAINED THAT FOR PERSONAL REASONS (APPARENTLY, BUT NOT EXPLICITLY, REASONS OF HEALTH; WE UNDERSTAND HE IS SUFFERING FROM KIDNEY STONES) HE HAD NOT BEEN ABLE TO ATTEND MARCONA SESSIONS, BUT THAT BROUSSET HAD REPORTED THAT PROGRESS WAS BEING MADE. AMBASSADOR NOTED THAT WE WOULD, BY THE MORNING OF JULY 9, BE ABLE TO CERTIFY THE LIBERIAN TAX STATEMENT (MONROVIA 4819) WHICH SHOULD BE OF SOME HELP TO THE COMMISSION. BARUA REITERATED A FAVORITE THOUGHT: THAT UNDER SECRETARY MAW SHOULD PAY AN EARLY VISIT TO LIMA TO REACH FINAL SETTLEMENT OF MARCONA WITH PRIME MINISTER. WE MADE NONCOMMITAL REPLY TO THIS IDEA.

5. ECONOMIC COUNSELOR RAISED QUESTION OF GULF, NOTING  
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THAT MINISTER BARUA HAD RECENTLY RECEIVED LETTER FROM GULF WITH PROPOSAL FOR SIX-MONTH PAYMENT SCHEDULE OF \$1.54 MILLION TO EASE PRESSURE ON BANCO DE LA NACION'S SCARCE SUPPLY OF DOLLARS. BARUA REPLIED THAT VICE MINISTER KEIL WAS WORKING HARD AT GULF PROBLEM, TO WHICH AMBASSADOR RESPONDED THAT IN FACT WHAT SEEMED TO BE NEEDED WAS THE POLITICAL WILL AT THE CABINET LEVEL TO MAKE THE DECISION TO SETTLE. BARUA AGREED, AND INDICATED THAT SUCH A DE-

CISION WAS FORTHCOMING.

6. IN DISCUSSING PERU'S BALANCE OF PAYMENTS ASSISTANCE NEEDS, MINISTER BARUA RULED OUT AN IMF STANDBY AS POLITICALLY UNACCEPTABLE TO PERU'S MILITARY GOVERNMENT. AMBASSADOR MENTIONED THAT SEVERAL LA COUNTRYES HAVE USED IMF STANDBYS IN THE PAST DURING TEMPORARY BALANCE OF PAYMENTS DIFFICULTIES, BARUA EXPRESSED AGREEMENT THAT, ECONOMICALLY SPEAKING, THIS IS A SENSIBLE STEP, BUT REITERATED THAT HAVING THE IMF SET CONDITIONS AND MONITOR ECONOMIC POLICY WAS ANATHEMA TO SEVERAL HIGHLY-PLCED OFFICER IN THE GOVERNMENT. ON THE OTHER HAND, BARUA SEEMED OPTIMISTIC THAT FOUR LEAD BANKS (MANUFACTURERS HANOVER, CHASE, CITIBANK, AND MORGAN) WOULD BE ABLE TO ORGANIZE CONSORTIUM TO SUPPLY SOME \$400 MILLION IN CREDITS. (WHEN AMBASSADOR NOTED THAT AT LEAST SOME BANKERS WERE DISAPPOINTED THAT LABOR STABILITY LAW HAD NOT BEEN MODIFIED, AND THAT QUESTION OF MANAGEMENT CONTROL IN INDUSTRIAL COMMUNITY FRAMEWORK WAS UNCLEAR, BARUA REPLIED THAT THESE WERE QUESTIONS WHICH WOULD BE FAVORABLY SETTLED IN TIME.) BARUA SEEMED DECIDED TO GO PERSONALLY TO NEW YORK ON JULY 19 TO RECEIVE THE BANKERS' RESPONSE TO THE REQUESTS WHICH WOULD BE MADE DURING THE JULY 12-13 MEETINGS WITH THE SANTISTEVAN TEAM (LIMA 6216). BARUA CONCLUDED HIS DISCUSSION OF THIS ISSUE BY STATING SIMPLY THAT IF THE ECONOMIC MEASURES WHICH THE GOP WAS UNDERTAKING WERE NOT SUCCESSFUL IN ENABLING PERU TO OBTAIN NEEDED FINANCING, THEN HE WOULD HAVE TO RESIGN. HE SUGGESTED THAT THIS WOULD BE SOMETHING OF A RELIEF FOR HIM, AS HE WAS BEING WORN DOWN BY BEING MADE THE SCAPEGOAT. HE COMPLAINED WRYLY THAT HE CAN'T EVEN PLAY TENNIS AT THE JOCKEY CLUB ANY MORE WITHOUT SOMEONE MAKING AN UNCOMPLIMENTARY REMARK.

7. COMMENT: WE GAINED CLEAR IMPRESSION THAT SOMEWHAT  
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HARRIED MINISTER OF ECONOMY IS MAKING ALL-OUT EFFORT TO RESOLVE OUTSTANDING ISSUES AND THIS TO OPTIMIZE PERU'S CHANCES TO OBTAIN VITALLY-NEEDED BALANCE OF PAYMENTS FINANCING. THERE ARE STILL MANY BUREAUCRATIC HURDLES TO OVERCOME, PARTICULARLY IN THE AREA OF TAX CLAIMS, BUT IT DOES APPEAR THAT MODERATE ELEMENTS WITHIN THE GOP ARE INTENT ON RESOLVING PENDING BILATERAL ISSUES ON AN URGENT BASIS.

8. ACTION REQUESTED: OP CENTER PLEASE PASS S/P - DR.  
EINAUDI ASAP.  
DEAN

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
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